

**Henryetta Hospital Authority**  
**Henryetta, Oklahoma**

*Financial Statements*

June 30, 2013 and 2012  
(With Independent Auditors' Report Thereon)



**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Henryetta Hospital Authority  
Henryetta, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of net position of the Henryetta Hospital Authority (the "Authority"), as of and for the years ended June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2013 the Authority adopted new accounting guidance, Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

### **Other Matter**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Shawnee, Oklahoma  
November 5, 2013

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive, flowing style.

**HENRYETTA HOSPITAL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2013**

This discussion and analysis of the Henryetta Hospital Authority (the "Authority") financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2013.

**Financial Highlights**

The Authority's financial position as a whole increased during the fiscal year ended June 30, 2013. Net position and total assets increased \$45,582, or .65%, over the previous year.

**Overview of the Financial Statements**

The enclosed statements are presented on an enterprise fund basis and include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

**Financial Analysis**

Net position is one way to measure the Authority's financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or declining.

For the year ended June 30, 2013, total assets were \$7,011,972 and there were no liabilities. Operating revenues of \$307,483 exceeded operating expenses of \$287,472, resulting in an operating income of \$20,011.

*Operating Revenues*

Operating revenues decreased \$(3,946) during the fiscal year ended June 30, 2013.

*Operating Expenses*

Operating expenses increased \$2,742 during the fiscal year ended June 30, 2013.

## **HENRYETTA HOSPITAL AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

#### **Financial Analysis, Continued**

##### *Non-Operating Revenues/Expenses*

Significant changes in non-operating revenues/expenses were the result of the following:

- Changes in the long-term receivable for the year ended June 30, 2013, resulted in an increase of \$4,850 due to an increase in the Consumer Price Index used to adjust the receivable annually.
- Interest income on investments decreased \$(5,284) for the year ended June 30, 2013.

##### *Statement of Cash Flows*

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity over a period of time. This statement also aids in the assessment of an entity's ability to generate future net cash flows, its ability to meet obligations as they come due, and needs for external financing.

#### **Capital Assets**

At June 30, 2013, the Authority had \$12,742,795 invested in capital assets. The related accumulated depreciation was approximately \$10,191,928. Depreciation charges for the year totaled \$231,143, compared to \$237,444 in the previous year.

For additional information related to capital assets, please see Note 4 to the financial statements.

#### **Debt**

At June 30, 2013, the Authority had no outstanding debt.

#### **Contacting the Authority's Financial Management**

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's administration by calling (918) 650-1301.

**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**STATEMENTS OF NET POSITION**

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
<b>Assets</b>		
Current assets:		
Cash	\$ 389,211	542,117
Investments	2,993,082	2,572,542
Interest receivable	2,211	2,171
Total current assets	<u>3,384,504</u>	<u>3,116,830</u>
Noncurrent assets:		
Capital assets:		
Property, plant, and equipment	12,742,795	12,738,594
Less accumulated depreciation	<u>(10,191,928)</u>	<u>(9,960,785)</u>
Capital assets, net	<u>2,550,867</u>	<u>2,777,809</u>
Long-term receivable	<u>1,076,601</u>	<u>1,071,751</u>
Total noncurrent assets	<u>3,627,468</u>	<u>3,849,560</u>
Total assets	<u><u>\$ 7,011,972</u></u>	<u><u>6,966,390</u></u>
<b>Liabilities and Net Position</b>		
Liabilities	<u>\$ -</u>	<u>-</u>
Net position:		
Investment in capital assets, net	2,550,866	2,777,809
Unrestricted	<u>4,461,106</u>	<u>4,188,581</u>
Total net position	<u>7,011,972</u>	<u>6,966,390</u>
Total liabilities and net position	<u><u>\$ 7,011,972</u></u>	<u><u>6,966,390</u></u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

<i>Years Ended June 30,</i>	<i>2013</i>	<i>2012</i>
Revenues:		
Rental income	\$ 307,483	290,329
Other	<u>-</u>	<u>21,100</u>
Total revenues	<u>307,483</u>	<u>311,429</u>
Expenses:		
Supplies, utilities, and purchased services	28,457	24,437
Insurance	10,992	9,048
Depreciation	231,143	237,444
Repairs and maintenance	6,290	3,274
Legal and professional	<u>10,590</u>	<u>10,527</u>
Total expenses	<u>287,472</u>	<u>284,730</u>
Net income from operations	20,011	26,699
Non-operating revenues and expenses:		
Interest income	20,721	26,005
Increase in long-term receivable	4,850	13,729
Other	-	30
Write-off of construction in progress	<u>-</u>	<u>(20,343)</u>
Total non-operating revenues	<u>25,571</u>	<u>19,421</u>
Changes in net position	45,582	46,120
Net position, beginning of year	<u>6,966,390</u>	<u>6,920,270</u>
Net position, end of year	<u>\$ 7,011,972</u>	<u>6,966,390</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**STATEMENTS OF CASH FLOWS**

**Increase (Decrease) in Cash and Cash Equivalents**

<i>Years Ended June 30,</i>	<i>2013</i>	<i>2012</i>
<b>Cash flows from operating activities:</b>		
Revenues	\$ 307,483	311,429
Payments to vendors	(56,329)	(47,286)
Net cash provided by operating activities	<u>251,154</u>	<u>264,143</u>
<b>Cash flows from investing activities:</b>		
Purchase of capital assets	(4,201)	(156,565)
Purchase of certificate of deposits	(420,540)	-
Reinvestment of interest income	-	(27,457)
Interest income from investments	20,681	27,692
Other income	-	30
Net cash used in investing activities	<u>(404,060)</u>	<u>(156,300)</u>
<b>Cash flows from capital financing activities</b>	<u>-</u>	<u>-</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(152,906)	107,843
Cash and cash equivalents, beginning of year	<u>542,117</u>	<u>434,274</u>
Cash and cash equivalents, end of year	<u><u>\$ 389,211</u></u>	<u><u>542,117</u></u>
<b>Reconciliation of net income from operations to net cash provided by operating activities:</b>		
Net income from operations	\$ 20,011	26,699
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	<u>231,143</u>	<u>237,444</u>
Net cash provided by operating activities	<u><u>\$ 251,154</u></u>	<u><u>264,143</u></u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**HENRYETTA HOSPITAL AUTHORITY  
HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Ownership**

The Henryetta Medical Center (the “Hospital”) is owned and operated by the Henryetta Hospital Authority (the “Authority”), which was established on April 18, 1977, pursuant to Title 60, Oklahoma Statutes 1971, Section 176 to 180.4 inclusive, as amended. The City of Henryetta, Oklahoma, is the beneficiary of the Authority.

On November 1, 2004, the Board of Trustees of the Authority entered into an agreement with AHS Henryetta Hospital, LLC; Hillcrest Healthcare Systems; and Ardent Health Services, Inc. Under the terms of this agreement the Authority and Hillcrest Healthcare Systems agreed to terminate their “Master Agreement” dated September 15, 1997. Further, certain assets purchased by the Hospital were transferred to the Authority in return for a reduction in the amount due from Hillcrest Healthcare Systems. On November 1, 2004, an “Amended and Restated Operating Agreement” was entered into by the Authority with AHS Henryetta Hospital, LLC and Ardent Health Services, Inc. (collectively “Ardent”). The November 1, 2004, “Amended and Restated Operating Agreement” between the Authority and Ardent was amended on September 30, 2007. The “Second Amended and Restated Operating Agreement” (the “Agreement”) commenced on October 1, 2007, and expires September 30, 2014, unless extended or terminated under the terms of the Agreement. The Agreement allows Ardent to operate the Hospital and to use the Hospital’s name in its operations. Under the terms of the Agreement, equipment and operating assets of the Authority were transferred to Ardent during the duration of the Agreement.

**Basis of Accounting**

The accompanying financial statements are presented on an enterprise fund basis and follow the accrual basis of accounting, whereby revenues are recorded in the period earned and expenses are recorded in the period incurred.

See Independent Auditors’ Report.

**HENRYETTA HOSPITAL AUTHORITY  
HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required. In addition, as required by GASB 63, the Authority determined that as of June 30, 2013 and 2012, there were no items of deferred outflows of resources or deferred inflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The Authority has not determined the effects, if any, of implementing GASB 65.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The statements of net position and the statements of revenues, expenses, and changes in net position are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

See Independent Auditors' Report.

**HENRYETTA HOSPITAL AUTHORITY  
HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Financial Statement Presentation**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States. GASB is responsible for establishing the accounting principles generally accepted in the United States for state and local governments through its pronouncements (Statements and Interpretations).

**Capital Assets**

Capital assets which have an expected useful life of more than 1 year are recorded at cost when purchased. Depreciation expense is calculated on a straight-line basis over a 3- to 30-year period.

**Long-Term Receivable**

The long-term receivable represents assets which were transferred to Ardent for their use in operating the Hospital. The Authority is entitled to receive working capital, as defined in the Agreement, equal to \$1,014,611, adjusted for changes in the Consumer Price Index (CPI). The balance of the receivable was \$1,076,601 and \$1,071,751 as of June 30, 2013 and 2012, respectively. An allowance for doubtful accounts was not considered necessary as of June 30, 2013 and 2012.

**Risk Management**

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters except certain natural disasters.

**Related-Party Transactions**

During 2012, the Authority entered into an agreement with the Hospital's Administrative Executive Assistant to provide janitorial services to the Authority. Payments for such services approximated \$10,900 for the year ended June 30, 2013.

**Date of Management's Review of Subsequent Events**

Management has evaluated subsequent events through November 5, 2013, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

**HENRYETTA HOSPITAL AUTHORITY  
HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH**

The Authority's cash is in an interest-bearing deposit account at a local financial institution and is insured by the FDIC and collateralized with a letter of credit. As of June 30, 2013 and 2012, the Authority had no cash which was not insured or collateralized.

**(3) INVESTMENTS**

The Authority's informal investment policy is to invest only in certificates of deposit. As of June 30, 2013 and 2012, the certificates of deposit earned interest at rates ranging from .60% to 1.0% and 0.75% to 0.95%, respectively. All of the certificates of deposit are insured by the FDIC, collateralized with a letter of credit, or collateralized with securities held by the pledging bank's safekeeping agent, but not in the Authority's name. The certificates of deposit have maturities of 12 months or less.

**(4) CAPITAL ASSETS**

The capital assets of the Authority consist of land, land improvements, buildings, equipment, and construction in progress. A summary of changes in capital assets is as follows:

	Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
Land	\$ 75,385	-	-	75,385
Land improvements	581,750	-	-	581,750
Buildings	6,961,913	4,201	-	6,966,114
Equipment	5,119,546	-	-	5,119,546
	12,738,594	4,201	-	12,742,795
Less accumulated depreciation	(9,960,785)	(231,143)	-	(10,191,928)
Capital assets, net	<u>\$ 2,777,809</u>	<u>(226,942)</u>	<u>-</u>	<u>2,550,867</u>

See Independent Auditors' Report.

**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CAPITAL ASSETS, CONTINUED**

	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
Land	\$ 75,385	-	-	75,385
Land improvements	581,750	-	-	581,750
Buildings	6,961,913	-	-	6,961,913
Equipment	4,962,981	156,565	-	5,119,546
Construction in progress	20,343	-	(20,343)	-
	12,602,372	156,565	(20,343)	12,738,594
Less accumulated depreciation	(9,723,341)	(237,444)	-	(9,960,785)
Capital assets, net	<u>\$ 2,879,031</u>	<u>(80,879)</u>	<u>(20,343)</u>	<u>2,777,809</u>

**(5) LONG-TERM RECEIVABLE**

As previously discussed in Note 1, the Authority transferred assets to Ardent to be used in the operation of the Hospital. As a result of the transfer, the Authority has a contractual right to receive "Financial Working Capital," as defined, of \$1,014,611 (adjusted by the CPI, as defined) at the expiration of the Agreement. The Authority has recorded the amount to be received and adjusted the amount by the CPI at June 30, 2013 and 2012, using the formula defined in the Agreement. The receivable balance and adjustments recorded are as follows:

	<u>2013</u>	<u>2012</u>
Long-term receivable balance at beginning of year	\$ 1,071,751	1,058,022
Changes due to the CPI	<u>4,850</u>	<u>13,729</u>
Long-term receivable balance at end of year	<u>\$ 1,076,601</u>	<u>1,071,751</u>

See Independent Auditors' Report.

**HENRYETTA HOSPITAL AUTHORITY**  
**HENRYETTA, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) OPERATING LEASE REVENUES**

The Authority has entered into various operating lease agreements for the rental of its properties. There are two primary lease rental agreements: one with Ardent, which provides \$125,000 annually through September 30, 2014, for the lease of the Hospital; and one with Fresenius for the Dialysis Center, which provides rental income of \$91,000 annually through March 31, 2020. The rental income from the Fresenius lease increases 10% after year six. The future minimum lease payments to be received as of June 30, 2013, are as follows:

2014	\$	297,920
2015		188,884
2016		143,250
2017		100,100
2018		100,100
2019–2020		<u>175,175</u>
	\$	<u>1,005,429</u>

**(7) CONCENTRATIONS**

As previously discussed in Note 1, the Authority and Ardent entered into an agreement that transferred assets of the Authority to Ardent and allowed Ardent to assume operations of the Hospital. In return, Ardent pays a fee to the Authority of \$125,000 per year for property rental, as discussed in Note 6. The fee represents a significant portion of Authority's revenues. For the years ended June 30, 2013 and 2012, the fees received from Ardent represented 41% and 43%, respectively, of the Authority's rental income.

In addition, as previously discussed in Note 6, the lease agreement with Fresenius provided \$91,000 of rental revenues for both of the years ended June 30, 2013 and 2012. This represents 31% of the Authority's rental income for both years ended June 30, 2013 and 2012.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Henryetta Hospital Authority  
Henryetta, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the financial statements Henryetta Hospital Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 5, 2013. Our report includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Finley & Cook, PLLC*

Shawnee, Oklahoma  
November 5, 2013